

AUDITED FINANCIAL STATEMENTS

Anguilla Electricity Company Limited Financial Statements

December 31, 2004, December 31, 2003 and December 2002

AUDITORS' REPORT

To the Shareholders of Anguilla Electricity Company Limited

We have audited the accompanying balance sheets of Anguilla Electricity Company Limited, as at December 31, 2004, December 31, 2003 and December 31, 2002, the income statements, the statements of retained earnings and the statements of cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants. Those standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2004, December 31, 2003 and December 31, 2002 and the results of its operations and cash flows for the years then ended in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board.

Chartered Accountants
The Valley
Anguilla

July 12, 2005

ANGUILLA ELECTRICITY COMPANY LIMITED

Balance Sheet

As at December 31, 2004, December 31, 2003 and December 31, 2002

Expressed in Eastern Caribbean Dollars (EC\$)

	<u>Notes</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
ASSETS				
PROPERTY, PLANT & EQUIPMENT	3	30,679,729	32,417,564	32,654,501
CURRENT ASSETS				
Investments	4	885,003	844,767	
Inventories	5	3,581,464	3,917,718	3,430,301
Trade Receivables	6	7,001,759	7,043,322	6,749,221
Other Receivables	7	1,487,662	934,431	1,227,811
Insurance Claim Receivable				
Cash and Cash Equivalent	8	3,967,665	351,433	1,922,271
		<u>16,923,553</u>	<u>13,091,671</u>	<u>13,329,611</u>
Total Assets		<u>47,602,982</u>	<u>45,509,235</u>	<u>45,984,121</u>
EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share Capital	9	14,536,147	14,536,147	14,536,141
Retained Earnings		<u>16,010,556</u>	<u>10,868,458</u>	<u>6,704,581</u>
		<u>30,546,703</u>	<u>25,404,605</u>	<u>21,240,731</u>
LONG-TERM LIABILITIES				
Interest-bearing Loans and Borrowings	10	10,264,648	11,519,475	13,346,571
Contribution in Aid of Construction	11	<u>2,661,370</u>	<u>2,380,510</u>	<u>2,455,181</u>
		<u>12,926,018</u>	<u>13,899,985</u>	<u>15,801,751</u>
CURRENT LIABILITIES				
Bank Overdraft	8		1,853,458	4,303,001
Current portion - Interest-bearing Loans	10	1,255,926	1,551,670	1,829,831
Accounts Payable and Accruals		2,532,109	2,393,205	2,460,171
Customer Deposits		342,226	406,312	348,611
Due to Government of Anguilla				-
Deferred Hurricane Restoration				-
		<u>4,130,261</u>	<u>6,204,645</u>	<u>8,941,621</u>
Total equity and liabilities		<u>47,602,982</u>	<u>45,509,235</u>	<u>45,984,121</u>

On behalf of the Board

Everet Romney

Chairman

Ambrose Richardson

Director

The accompanying notes form an integral part of the financial statements.

ANGUILLA ELECTRICITY COMPANY LIMITED

Income Statement and Statement of Retained Earnings
Years ended December 31, 2004, December 31, 2003 and December 31, 2002

Expressed in Eastern Caribbean Dollars (EC\$)

	<u>Notes</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Income Statement				
GROSS OPERATING REVENUE	12	<u>36,592,972</u>	<u>31,664,827</u>	<u>29,015,582</u>
COST OF OPERATING REVENUE:				
Generation - Fuel		(13,336,511)	(12,411,515)	(10,643,394)
- Fuel Surcharge		(4,357,202)	(901,521)	-
- Other		(4,395,781)	4,498,383	(4,744,897)
Transmission and Distribution		<u>(4,490,468)</u>	<u>(4,651,599)</u>	<u>(4,596,670)</u>
		<u>(26,579,962)</u>	<u>(22,463,018)</u>	<u>(19,984,961)</u>
GROSS OPERATING PROFIT		10,013,010	9,201,809	9,030,621
OPERATING EXPENSES:				
Administration		(4,097,685)	(3,746,506)	(3,488,332)
Consumer Service		(436,253)	(377,962)	(371,879)
Employee Compensation		-	-	-
		<u>(4,533,938)</u>	<u>4,124,468</u>	<u>(3,860,211)</u>
NET OPERATING PROFIT		7,125,812	5,077,341	5,170,410
Finance Cost		(820,099)	(1,134,305)	(1,262,536)
Other Income	13	<u>1,646,740</u>	<u>220,833</u>	<u>375,332</u>
NET PROFIT FROM ORDINARY ACTIVITIES		<u>6,305,713</u>	<u>4,163,869</u>	<u>4,283,206</u>
EXTRAORDINARY INCOME		-	-	-
NET PROFIT FOR THE YEAR		<u>6,305,713</u>	<u>4,163,869</u>	<u>4,283,206</u>
Statement of Retained Earnings				
ACCUMULATED PROFIT AT BEGINNING OF YEAR		10,868,458	6,704,589	3,235,382
NET PROFIT FOR THE YEAR		<u>6,305,713</u>	<u>4,163,869</u>	<u>4,283,206</u>
			10,868,458	7,518,588
DIVIDENDS		(16,010,556)		(814,000)
RETAINED EARNINGS AT END OF YEAR		<u>16,010,556</u>	<u>10,868,458</u>	<u>6,704,588</u>
EARNINGS PER SHARE		0.54	0.36	0.37

The accompanying notes form an integral part of the financial statements.

ANGUILLA ELECTRICITY COMPANY LIMITED

Statement of Cash Flows

Years ended December 31, 2004, December 31, 2003 and December 31, 2002

Expressed in Eastern Caribbean Dollars (EC\$)

	<u>2004</u>	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year	6,305,713	4,163,869	4,283,207
Items not involving cash:			
Depreciation	3,682,820	3,618,820	3,507,677
Amortisation of customer contributions	(304,639)		-
Provision for slow moving/Obsolete Inventory	(98,336)	182,490	134,709
Provision for bad and doubtful debts	<u>16,476</u>	<u>77,877</u>	<u>(8,348)</u>
	9,602,034	8,043,056	7,917,245
(Increase)/decrease in current assets:			
Trade Receivable	25,087	(371,972)	(1,140,438)
Other Receivable	(553,231)	966,117	(311,392)
Inventories	434,590	(615,705)	(56,105)
Insurance Claim Receivable	-	-	-
Increase/(decrease) in current liabilities:			
Accounts Payable	138,904	(121,164)	(306)
Customer Deposits	(64,086)	59,695	(100,822)
Deferred Income	-	-	-
Net cash provided by operations	<u>9,583,298</u>	<u>7,960,027</u>	<u>6,308,182</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to fixed assets	(1,944,685)	4,054,615	(2,677,862)
Interest received	<u>(40,236)</u>	<u>(38,307)</u>	<u>-</u>
Net cash used by investing activities	<u>(1,984,921)</u>	<u>(4,092,922)</u>	<u>(2,677,862)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term loans (net)	(1,550,571)	(2,105,263)	(2,256,193)
Contributions in aid of construction	585,499	74,676	85,333
Dividends Paid	<u>(1,163,615)</u>		<u>814,000</u>
Net cash used by financing activities	<u>(2,128,687)</u>	<u>2,030,587</u>	<u>(2,984,861)</u>
NET(DECREASE)/INCREASE IN CASH RESOURCES	5,469,690		645,459
CASH & CASH EQUIVALENT AT BEGINNING OF YEAR	<u>(1,502,025)</u>	<u>2,380,731</u>	<u>(3,026,190)</u>
CASH & CASH EQUIVALENT AT END OF YEAR	<u>3,967,665</u>		<u>(2,380,731)</u>

The accompanying notes form an integral part of the financial statements.

ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements

December 31, 2004, December 31, 2003 and December 31, 2002

1. The Company

The Company was incorporated in Anguilla on January 11, 1991 under the Companies Act and is governed by the Electricity Act R.S.A. c E-35, , 1991, as amended and operates in the Valley Anguilla. The Government of Anguilla which was the major shareholder of the company, offered 6,600,000 shares to the general public through an Initial Public Offering on August 1, 2003.

The company has an exclusive public supplier's license to generate, transmit and distribute electricity on the island of Anguilla for a period of fifty years from April 1, 1991.

The financial statements were authorised for issue by the Directors on July 12, 2005

2. Significant accounting policies

(a) *Statement of compliance:*

The financial statements have been prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the Standing Interpretations Committee of the IASB.

(b) *Basis of preparation:*

The financial statements are prepared under the historical cost basis except for held to maturity investments , which are carried at amortized cost. The financial statements are presented in East Caribbean Dollars ,as the majority of assets are denominated in this currency.

(c) *Use of Estimates:*

The preparation of the financial statements in accordance with International Financial Reporting Standards ("IFRS") requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. These estimates are based on relevant information available at the balance sheet date and as such,actual results could differ from these estimates.

(d) *Property, plant and equipment:*

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (refer below) and impairment losses (refer to accounting policy "p"). The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Impairment

Property plant and equipment are reviewed at each balance date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated. All impairment losses are charged to the income statement.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalized with the carrying amount of the existing component being written off. Other subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements(Continued)

December 31, 2004, December 31, 2003 and December 31, ,2002

2. Significant accounting policies (continued)

(d) *Property, plant and equipment:*

Depreciation

Depreciation is charged to the income statement on the straight-line basis over the estimated useful lives of items of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	40 years
Plant and machinery	10-20 years
Furniture, fittings and equipment	5 years
Motor vehicles	3-5 years

(e) *Investment:*

Held-to-maturity investments are financial assets with fixed or determinable payments, fixed maturity and those that the Company has a positive intent and ability to hold to maturity. These include short-term placements with banks.

Recognition/Derecognition and Measurement.

Held- to- maturity investments are recognized/derecognized on the day they are transferred to/by the Company, respectively.

Investments are initially measured at cost, including transaction costs.

Subsequent to initial recognition, held-to maturity investments are measured at amortization cost less impairment losses. Amortized cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are including in the carrying amount of the related instrument and are amortized based on the effective interest rate instrument.

Impairment

Investments are reviewed at each balance date to determine whether there is objective evidence of impairment. If any such indication exists, the asset,s recoverable amount is estimated. All impairment losses are charged to the income statement.

(f) *Trade and other receivables:*

Trade and other receivables are stated at their cost less impairment losses (refer to accounting policy 'o').

(g) *Cash & cash equivalent:*

Cash and cash equivalent comprises cash balances and term deposits. For the purpose of the statement of cash flows, cash and cash equivalent are presented net of bank overdraft.

(h) ***Repurchase of share capital:***

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are presented as a deduction from total equity.

(i) ***Interest-bearing borrowings:***

Interest-bearing borrowings are recognised initially at cost, net of any transaction costs incurred. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost.

(j) ***Revenue:***

Revenue from the sale of electricity is recognised in the income statement based on consumption recorded by monthly meter readings, with due adjustment made for unread consumption at year end by apportioning the consumption of the following month.

(k) ***Trade and other payables:***

Trade and other payables are stated at their cost.

(l) ***Contributions in aid of construction:***

Contributions in aid of construction are amounts received from certain customers towards the cost of providing services. These amounts are amortised over the estimated service lives of the related assets at an amount equal to the corresponding annual provision for depreciation. Contributions received in respect of unfinished construction are amortised once the assets are placed in service.

(m) ***Finance Cost:***

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance costs. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as a part of the cost of the asset.

(n) ***Foreign currencies:***

Transactions in foreign currencies are converted to EC Dollars, the functional and reporting currency, at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to EC Dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising from fluctuations in exchange rates are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to EC Dollars at the foreign exchange rate ruling at the date of the transaction.

(o) ***Impairment:***

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements(Continued)

December 31, 2004, December 31, 2003 and December 31, 2002

2. Significant accounting policies (continued)

(p) ***Income tax:***

No provision is made for income tax since Anguilla does not have any form of income tax.

(q) ***Comparative information:***

Certain corresponding figures for 2003 have been reclassified to conform to current year's presentation, where necessary.

3. Property, plant and equipment

	<u>Land & Buildings</u>	<u>Plant & Machinery</u>	<u>Furniture, Fittings & Equipment</u>	<u>Motor Vehicles</u>	<u>Capital Work in Progress</u>	<u>Total</u>
At Cost:						
January 1, 2004	6,776,521	51,575,890	2,916,844	2,336,631	100,908	63,706,794
Additions/(disposals)	<u>82,246</u>	<u>1,258,429</u>	<u>39,656</u>	<u>503,458</u>	<u>60,896</u>	<u>1,944,685</u>
December 31, 2004	<u>6,858,767</u>	<u>52,834,319</u>	<u>2,956,500</u>	<u>2,840,089</u>	<u>161,804</u>	<u>65,651,479</u>
Depreciation:						
January 1, 2004	1,541,880	25,642,287	2,277,686	1,827,377	-	31,289,230
Charge for the year	<u>154,414</u>	<u>3,315,171</u>	<u>85,258</u>	<u>127,977</u>	<u>-</u>	<u>3,682,820</u>
December 31, 2004	<u>1,696,294</u>	<u>28,957,458</u>	<u>2,362,944</u>	<u>1,955,354</u>	<u>-</u>	<u>34,972,050</u>
Net Book Values:						
December 31, 2004	<u>5,162,473</u>	<u>23,876,861</u>	<u>593,556</u>	<u>884,735</u>	<u>161,804</u>	<u>30,679,429</u>
December 31, 2003	<u>5,234,641</u>	<u>25,933,603</u>	<u>639,158</u>	<u>509,254</u>	<u>100,908</u>	<u>32,417,564</u>

ANGUILLA ELECTRICITY COMPANY LIMITED**Notes to the Financial Statements (Continued)**
December 31, 2004, December 31, 2003 and December 31, 2002

Expressed in Eastern Caribbean Dollars (EC\$)

5. Inventories

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Generation parts and fuel	2,668,896	2,723,748	2,554,331
Transmission and distribution parts	1,413,127	1,779,500	1,323,258
Administration supplies	<u>141,862</u>	<u>155,227</u>	<u>110,984</u>
	4,223,885	4,658,475	3,988,573
Provision for slow-moving/obsolete items	<u>(642,421)</u>	<u>(740,757)</u>	<u>(558,267)</u>
	<u>3,581,464</u>	<u>3,917,718</u>	<u>3,430,307</u>

6. Trade Receivables

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Trade receivables	7,850,183	7,875,270	7,875
Provision for bad & doubtful debts	<u>(848,424)</u>	<u>(831,948)</u>	<u>(754,071)</u>
	<u>7,001,759</u>	<u>7,043,322</u>	<u>6,749,227</u>

7. Insurance Claim Receivable

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Balance at the beginning of year	-	-	-
Amounts claimed during the year	-	-	-
Amounts received during the year	=	=	=
	-	-	-
	=	=	=

* This represents the balance of the Insurance Claim Receivable on property damage due to Hurricane Lenny.

8. Cash & Cash Equivalent - Net

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Cash in hand and at bank	3,416,733	351,433	1,922,272
Bank overdraft (Debenture on assets, 9.2%, expires 30/09/04)	<u>550,932</u>	<u>(1,853,458)</u>	<u>(4,303,003)</u>
Cash resources in the statement of cash flows	<u>(3,967,665)</u>	<u>(1,502,025)</u>	<u>(2,380,731)</u>

ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements (Continued)

December 31, 2004, December 31, 2003 and December 31, 2002

Expressed in Eastern Caribbean Dollars (EC\$)

8. **Share Capital**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Authorised:	<u>30,000,000</u>	<u>30,000,000</u>	<u>30,000,000</u>
			5,400,00
			5,400,00
			7,200,00
			6,236,15
			<u>5,763,84</u>
Authorised	<u>30,000,000</u>	<u>30,000,000</u>	<u>30,000,00</u>
All shares shares are voting shares and carry equal rights			
Issued and fully paid:	2004	2003	2002
			5,400,000
			5,400,000
			<u>6,236,147</u>
Issued and Fully Paid	17,036,147	17,036,147	17,036,147
Less: Treasury Stock			
5,400,000 "B" ordinary shares	(5,400,000)	(5,400,000)	(5,400,000)
Add:			
Discount on treasury stock	<u>2,900,000</u>	<u>2,900,000</u>	<u>2,900,000</u>
	<u>14,536,147</u>	<u>14,536,147</u>	<u>14,536,147</u>

During the year 1998, the Company repurchased 5,400,000 of class "B" ordinary shares at a consideration of EC\$2,500,000. The difference between the original issue price and the cost to acquire treasury stock is shown as Discount on treasury stock.

In June,2003 all shares in the company were converted to one class of Ordinary Shares to rank Pari Passu,thus removing the various stock categories.

ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements (continued)

December 31, 2004, December 31, 2003 and December 31, 2002

Expressed in Eastern Caribbean Dollars (EC\$)

9. Interest-Bearing Loans and Borrowing

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Caribbean Development Bank (See I below)	-	61,383	144,692
Caribbean Development Bank (See II below)	699,370	965,547	1,231,724
Caribbean Commercial Bank (Anguilla) Ltd (See III below)	2,763,211	3,152,880	3,514,018
Lloyds Bank (See IV below)	-	-	561,296
Caribbean Development Bank (See V below)	8,057,993	8,891,335	9,724,678
Caterpillar Financial Services Corporation (See VI below)	-	-	-
	11,520,574	13,071,145	15,176,408
Less: Current Portions	<u>(1,255,926)</u>	<u>(1,551,670)</u>	<u>(1,829,836)</u>
	<u>10,264,648</u>	<u>11,519,475</u>	<u>13,346,572</u>

- (I) This loan (02 SFR-ANG) was made to the Government of Anguilla on July 18, 1983. The total amount disbursed was US\$1,084,751 of which US\$463,253 was transferred to the Anguilla Electricity Company Limited on April 1, 1991. The loan is guaranteed by and repaid through the Government of Anguilla in equal quarterly instalments of approximately US\$7,700, plus interest at the rate of 4% per annum. The final payment was made in the year 2003.
- (II) This loan (03 SFR-ANG) was made to the Government of Anguilla on February 18, 1986. The total amount disbursed was US\$1,435,709 which was transferred to the Anguilla Electricity Company Limited on April 1, 1991. The loan is guaranteed by the Government of Anguilla. This loan is repaid through the Government of Anguilla in equal quarterly instalments of US\$24,754, plus interest at the rate of 4% per annum. The final payment is due on March 31, 2007.
- (III) This loan was made to the Company by the Caribbean Commercial Bank (Anguilla) Ltd on May 7, 1998 to refinance the Commonwealth Development Corporation loan. The loan is guaranteed by the Government of Anguilla. The total amount disbursed was US\$1,800,000. This loan is repaid in equal semi-annual instalments of US\$116,550, including interest at the rate of 7.75% per annum. The final payment is due on May 7, 2010.
- a. This loan was made to the Company by Lloyds Bank on September 7, 1998 to finance the purchase of a 2.5MW Mirrlees & Blackstone generator. The loan is guaranteed by the Government of Anguilla. The total amount disbursed was US\$1,044,001. This loan is repaid in equal semi-annual instalments of US\$124,364 including interest at the rate of 6.63% per annum. The final payment is due on December 15, 2003. Borrowing cost of EC\$58,382 was capitalised as part of the asset during set up and installation.
- b. This loan (02/OR-ANL) was made to the Company in the year 2000 to finance the purchase of two generators. The total amount disbursed was US\$3,720,000. This loan is repaid in forty eight (48) equal and consecutive quarterly instalments of US\$113,280 including interest at the rate of 5.5% per annum. This will be payable after two (2) years following the expiry of the first disbursement. Borrowing cost of EC\$245,743 is capitalised and shown under fixed assets (Note 3).

ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2004 December 31, 2003 and December 31, 2002

Expressed in Eastern Caribbean Dollars (EC\$)

9. **Interest-Bearing Loans and Borrowing (Continued)**

10. **Contributions in Aid of Construction**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
At beginning of the year	2,380,510	2,455,186	2,369,853
Contributions during the year	<u>585,499</u>	<u>221,173</u>	<u>372,109</u>
	2,966,009	2,676,359	2,741,962
Amount amortised during the year	<u>(304,639)</u>	<u>(295,849)</u>	<u>(286,776)</u>
At end of year	<u>2,661,370</u>	<u>2,380,510</u>	<u>2,455,186</u>

11. **Gross Operating Revenue**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Amounts billed during the year	34,327,725	30,852,337	29,005,378
Less: unbilled revenue at beginning of the year	<u>(1,215,501)</u>	<u>(1,304,532)</u>	<u>(1,294,327)</u>
	33,112,224	29,547,805	27,711,051
Add: unbilled revenue at end of the year	<u>1,821,662</u>	<u>1,215,501</u>	<u>1,304,532</u>
	34,933,886	30,763,306	29,015,583
Fuel surcharge*	<u>1,659,086</u>	<u>901,521</u>	<u>-</u>
	<u>36,592,972</u>	<u>31,664,827</u>	<u>29,015,583</u>

* As per Electricity (rates & charges) Regulations, tariffs shall be subject to a surcharge of 1 cent per unit for every 10 cent per gallon increase in the price of fuel oil over EC\$3.64 per gallon.

ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements (Continued) **December 31, 2004 December 31, 2003 and December 31, 2002**

Expressed in Eastern Caribbean Dollars (EC\$)

13. **Other Income**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Reconnection fees	66,700	92,450	104,96
Late charges	476,983		
Upgrade and relocation of poles	585,014		
Miscellaneous	<u>518,043</u>	<u>128,383</u>	<u>270,36</u>
	<u>1,646,740</u>	<u>220,833</u>	<u>375,33</u>

14. **Personnel Expenses**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Salaries & wages	3,646,874	3,451,967	3,350,241
Social security	148,276	152,499	145,797
Training	208,630	147,597	95,850
Other benefits	144,570	83,290	95,475
Pension Expenses	305,721	247,435	
	<u>4,454,071</u>	<u>4,082,788</u>	<u>3,687,363</u>

Average number of employees in the year 2004 was 75 (2003:67).

15. **Related Party Transactions and Balances**

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2000</u>
Directors' Fees	232,067	211,404	213,473	157,200
Benefits to Executive Officers	<u>549,343</u>	<u>542,472</u>	<u>525,217</u>	<u>505,457</u>
	<u>753,876</u>	<u>753,876</u>	<u>738,690</u>	<u>662,657</u>
Revenues from Government		6,557,066	4,535,518	

The Company has entered into the following transactions/balances with the Government of Anguilla(GOA) as follows :

- β The Government imposed an environmental levy of 5% on Revenues excluding Government's usage ,on the Company effective September 1,2003.Amounts payable to GOA for October through December are EC\$129,919
- Trade receivable from GOA EC\$1,672,128 (2003:EC\$2,851,451)
- License fees paid to GOA is EC\$400,000 for the years 2004and 2003
- The Company has a loan with the Caribbean Commercial Bank (Anguilla) Ltd (CCB) with an outstanding Balance of EC\$2,763,211 (2003:EC\$3,152,880) (se note 10)
- The GOA has guaranteed the Caribbean Development Bank(CDB) loans: (02 SFR-ANG), CDB (03 SFR-ANG),and Caribbean Commercial Bank(Anguilla) Ltd loans borrowed by the company(see note 9).

ANGUILLA ELECTRICITY COMPANY LIMITED

Notes to the Financial Statements (Continued) **December 31, 2004 December 31, 2003 and December 31, 2002**

Expressed in Eastern Caribbean Dollars (EC\$)

19 **Commitments**

During the current year, the directors have approved approximately EC\$2,965,114 (2003:EC\$3,072,000) for capital expenditure of which EC\$460,556 had not been spent at December 31, 2004.

20 **Credit Risk and Fair Value Disclosure of Financial Instruments**

Financial assets of the Company include cash, term deposits, investments and accounts receivable. Financial liabilities include accounts payable and accruals and claims payable.

(a) Credit Risk

Credit risk on receivables is concentrated in the Government of Anguilla, the largest consumer and also the largest debtor. Credit risk is reflected in the provision for bad and doubtful receivables. (Refer to notes 6 and 15).

(b) Fair Value

The fair values of cash, accounts receivable, accounts payable and accruals and long-term loans are not materially different from their carrying amounts.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect estimates. All non-financial instruments such as prepaid expenses are excluded from fair value disclosure.

21 Subsequent Events

The company has recently sought funding from the Caribbean Development Bank for the purchase of two new generators. The full cost of the expansion project is US\$9.038 million with CDB providing 67.4% funding and the company own generated funds representing the remaining 32.4%.